

Contracting Working Group
of the
TPT Simplification Task Force

Craig McPike, Chair
September 18, 2012

Where have we been?

- Working Group meeting August 21 --
Presentations by
 - Christie Comanita, ADOR
 - Lee Grafstrom, League of Arizona Cities and Towns
 - Barb Dickerson, Deloitte (Historical Context)
 - Elaine Smith, ADOR (Revenue Sharing)
- Task Force meeting August 28
 - Four types of contracting-industry taxpayers: Civil, Commercial, Residential Builders, Service Industry
 - Materials-based tax as focus to simplify compliance and ease administration

Who is being consulted?

- ADOR
- League
- County Supervisors Association
- Arizona Tax Research Association
- Associated General Contractors – AZ Chapter
- Arizona Builder's Alliance
- Arizona Housing Association
- Homebuilders Association of Central Arizona
- Various service-industry contractors

Proposals

- Service-industry exception
 - Lack of resources on taxpayer side
 - Much effort on government side spent assisting and auditing these contractors
 - Problem: What is a clear demarcation line that doesn't lead to further complexity
 - Dollar amount of contract: A contractor can work on variety of job sizes, so they are stepping on both sides of the line
 - Contractor classification: A contractor doesn't just fit one mold and shouldn't be hamstrung from taking a particular job

Proposals, continued

- Option currently under serious consideration
 - Materials-based tax – tax paid by vendor with possibility of economic pass-through to contractors
 - City speculative builder tax to remain in effect, with credit for city tax paid on materials
 - Revenue-sharing adjustments to extent reasonable
 - Equalize use tax rates to mirror TPT rates

Open Questions/Issues

- Examples:
 - Total collections under current system vs. proposal
 - Allocation of revenues – how to adjust to prevent significant blow to localities' budgets
 - Revenue-sharing could take into account construction activity
 - Sourcing of materials: TPT vs. use tax
 - According to AGC and AZ Builders Alliance, most suppliers located in Arizona, even for materials coming from outside Arizona
- Others?